REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

RA No. 9505; RA No. 17-2011; RMC No. 131-2016; RMO No. 42-2016	OTP '405-2021

Person to Contact: Chief, Law & Legislative Division
Tel. Nos. 926-55-36/927-09-63

Date: NOV 03 2021

LAND BANK OF THE PHILIPPINES
LANDBANK Plaza
1598 M.H. Del Pilar corner Dr. J. Quintos Sts.
Malate, 1004 Manila, Philippines

Attention: **ATTY. JOSE TROY A. ALMARIO**
Head, Trust Oversight & Strategic Management Department
Trust Banking Group

Gentlemen:

This refers to your request on behalf of Land Bank of the Philippines (**"LBP"**) for a confirmatory ruling that LBP's Personal Equity and Retirement Account (**"PERA"**) products, namely the LANDBANK PERA Money Market Fund, LANDBANK PERA Bond Fund, and LANDBANK PERA Global $ Fund (collectively, the **"LBP PERA Products"**) are exempt from tax.

It is represented that the LBP PERA Products were approved by the *Bangko Sentral ng Pilipinas* (**"BSP"**) on February 24, 2016 and included in the approved PERA products listed in the BSP letter dated November 28, 2016; and that on May 17, 2021, the LANDBANK PERA Bond Fund was offered to the public through the PERA digital platform.

In reply, please be informed that Section 9 of Revenue Regulations No. 17-11[1] in relation to Section 9 of Republic Act No. 9505, otherwise known as the Personal Equity and Retirement Account Act of 2008 (**"PERA Act"**),[2] provides that all income earned from the investments and reinvestments of the maximum amount allowed under the PERA Act is exempt from the following taxes, to wit:

> *"SECTION 9. Tax Treatment of the PERA Investment Income. — Investment income of the Contributor consisting of all income earned from the investments and*

[1] Implementing the Tax Provisions of Republic Act No. 9505, Otherwise Known as the "Personal Equity and Retirement Account (PERA) Act of 2008", October 27, 2011; also in Section III(12) of Revenue Memorandum Order No. 42-2016, Prescribing the Guidelines and Procedures in the Implementation of Republic Act No. 9505, Otherwise Known as the Personal Equity and Retirement Account (PERA) Act of 2008, July 21, 2016.
[2] August 22, 2008.

reinvestments of his PERA Assets in the maximum amount allowed herein shall be exempt from the following taxes as may be applicable:

(1) The final withholding tax on interest from any currency bank deposit, yield or any other monetary benefit from deposit substitutes and from trust funds and similar arrangements, including a depository bank under the expanded foreign currency deposit system;

(2) The capital gains tax on the sale, exchange, retirement or maturity of bonds, debentures or other certificates of indebtedness;

(3) The 10% tax on cash and/or property dividends actually or constructively received from a domestic corporation, including a mutual fund company;

(4) The capital gains tax on the sale, barter, exchange or other disposition of shares of stock in a domestic corporation;

(5) Regular income tax.

Provided, that each specific investment products, as defined in Section 2 (q) hereof, must be approved by the concerned Regulatory Authority in accordance with the provisions of PERA before its income or distribution can be granted tax incentives and privileges herein provided.

Provided, further, that non-income taxes, if applicable, relating to the above investment income of the PERA Account of a Contributor, shall remain imposable, including the following:

(1) Percentage taxes on persons exempt from value-added tax, domestic carriers and keepers of garages, international carriers, franchise holders, overseas dispatch, message or conversation originating from the Philippines, banks and non-bank financial intermediaries performing quasi-banking functions, other non-bank finance intermediaries, life insurance premiums, agents of foreign insurance companies, amusement, and winnings;

(2) Value-added tax;

(3) Stock transaction tax on the sale, barter, or exchange of shares of stock listed and traded through the local stock exchange or through initial public offering; and

(4) Documentary stamp tax." (Underscoring supplied)

Corollarily, Section 2 (q) of Revenue Regulations No. 17-11 states:

SECTION 2. Definition of Terms. — Unless the context otherwise requires, the following terms shall have the following meanings for purposes of these Regulations, viz:

xxx xxx xxx

(q) "Qualified/Eligible PERA Investment Products" — shall refer to the investment products duly approved by the concerned Regulatory Authority which could be any of the following:

gr K

OT-I-405-2021
NOV 03 2021

(a) a unit investment trust fund (UITF),

(b) share of stock of mutual fund;

(c) annuity contract;

(d) insurance pension product;

(e) pre-need pension plan;

(f) shares of stock or other securities listed and traded in the local stock exchange;

(g) exchange-traded bond;

(h) government securities;

(i) any other category of investment product or outlet which the concerned Regulatory Authority may allow for PERA purposes."

A perusal of the above provisions shows that before the income or distribution can be granted tax incentives and privileges granted by the PERA Act and related rules and regulations, each specific investment products must belong to the above list of qualified/eligible PERA investment products and is duly approved by the concerned regulatory authority.

Under Revenue Memorandum Circular No. 131-16,[3] this Office has circularized the list of duly approved/accredited several unit investment trust funds/investment products by the BSP based on the BSP letter dated November 28, 2016, which includes the LBP PERA Products, to *wit*:

"Under Rule 11 of the Rules and Regulations Implementing Republic Act No. 9505, otherwise known as the Personal Equity Retirement Account (PERA) Act of 2008, and Section 9 of Revenue Regulations (RR) No. 17-2011, all income earned from the investments and re-investments of PERA assets in PERA investment products shall be exempt from income taxes provided that said PERA investment products have been duly accredited by the concerned Regulatory Authority.

Below is the list of PERA Unit Investment Trust Funds (UITFs)/investment products duly approved/accredited by the Bangko Sentral ng Pilipinas (BSP), as confirmed by the latter in its letter dated November 28, 2016, to wit:

No.	Name of Bank	Name of Fund	Sub-type	Detailed type of fund	Denomi nation	Date of BSP Approval
	xxx	*xxx*	*xxx*	*xxx*	*xxx*	*xxx*
8.	*Land Bank of the Philippines*	*LANDBANK PERA Global Dollar Fund*	*Bond*	*PERA-Bond*	*Dollar*	*11/11/2015*

[3] Circularizing the List of Personal Equity Retirement Account (PERA) Unit Investment Trust Funds (UITFs) Duly Approved by the Bangko Sentral ng Pilipinas (BSP), December 13, 2016.

9.	*Land Bank of the Philippines*	*LANDBANK PERA Bond Fund*	*Bond*	*PERA-Bond*	*Peso*	*11/11/2015*
10.	*Land Bank of the Philippines*	*LANDBANK PERA Money Market Fund*	*Money Market*	*PERA-Money Market*	*Peso*	*11/11/2015*
	xxx	*xxx*	*xxx*	*xxx*	*xxx*	*xxx*

It is emphasized that only income earned from the investments and re-investments of PERA assets in the above-enumerated PERA investment products shall be exempt from income taxes under Rule 11 of the Rules and Regulations Implementing the PERA Act of 2008, and Section 9 of RR No. 17-2011. Moreover, income from investments and re-investments of PERA assets in government securities is likewise exempt from income taxes under the said provisions." (Underscoring supplied)

Please note that Section 3(h) of Republic Act No. 9505 and section 2(r) of Revenue Regulations No. 17-2011 provide that the BSP is the regulatory authority over banks, trust entities, and other BSP-supervised financial institutions.

Based on the foregoing disquisitions, the LBP PERA Products are (1) unit investment trust funds, which are qualified/eligible investment products under Section 2(q) of the Revenue Regulations No. 17-11; and (2) were duly approved by the BSP, the concerned regulatory authority. Thus, this Office hereby confirms that the income earned from investments and reinvestment of PERA Assets in LBP PERA Products are exempt from taxes, without prejudice to existing laws, rules and regulations.

This ruling is issued on the basis of the foregoing facts as represented. However, if upon investigation it shall be disclosed that the facts are different, then this ruling shall be considered null and void.

Very truly yours,

CAESAR R. DULAY
Commissioner of Internal Revenue

046749